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DE RUEHUL #0776/01 1080844
ZNY CCCCC ZZH
P 170844Z APR 08
FM AMEMBASSY SEOUL
TO RUEHC/SECSTATE WASHDC PRIORITY 9418
INFO RUEHBJ/AMEMBASSY BEIJING 4107
RUEHMO/AMEMBASSY MOSCOW 8673
RUEHKO/AMEMBASSY TOKYO 4259
RUEHIN/AIT TAIPEI 2595
RHHMUNA/CDR USPACOM HONOLULU HI
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RUACAAA/COMUSKOREA INTEL SEOUL KOR
RHMFISS/COMUSKOREA J5 SEOUL KOR
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RHEHNSC/NSC WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC//OSD/ISA/EAP//

C O N F I D E N T I A L SEOUL 000776

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E.O. 12958: DECL: 04/10/2018
TAGS: [PGOV](#) [PREL](#) [PINR](#) [KN](#) [KS](#)
SUBJECT: LEE MYUNG-BAK WEATHERS POLITICAL STORM; AWAITS
FRIENDLY ASSEMBLY

Classified By: A/DCM Joseph Y. Yun. Reasons 1.4 (b,d).

11. (C) SUMMARY: Korea's political landscape is in transition -- in the last two months President Lee Myung-bak was inaugurated, a new National Assembly was elected, new parties were formed; in the coming two months leaders for the two main parties are set to change. The ruling Grand National Party (GNP) secured 153 seats in the April 9 election but is faced with opposition from the left -- United Democratic Party (UDP) and Democratic Labor Party (DLP) -- and from the right -- the Liberal Forward Party (LFP) and the Pro-Park Alliance (PPA) -- as well as divisions among internal GNP factions. The GNP infighting and controversies surrounding the new government's personnel appointments were blamed for the shift in voter support from ruling party candidates to other conservative candidates in the recent election. The public, however, generally remains supportive and hopeful that Lee Myung-bak government's can improve Korea's standing in the world, "upgrade" Korea's relationship with the U.S. and strengthen the economy. END SUMMARY.

GNP and the Conservatives

12. (C) The GNP is in the political driver's seat now with a majority in the Assembly (153 out of 299 seats). They might still find it difficult, however, to push controversial reform measures through the National Assembly since they will have to work with conservatives outside the GNP -- including Park Geun-hye supporters elected as independents, as well as the fourteen members of the PPA, the 18 from Lee Hoi-chang's LFP -- in addition to members from the three liberal parties. Newly-elected GNP lawmaker Hong Jung-wook told poloffs on April 16 that his goal was to lay low. With many pro-Lee heavyweights voted out, and a heated battle expected leading up to the July GNP party convention, Hong said he and other rookies' best policy would be to stay out of the limelight and wait to see what President Lee expected from the GNP, rather than jockey for position or join any faction. Hong said in addition to Representative Chung Mong-joon, who has expressed his interest in leading the party, Kim Hyung-o and Hong Joon-pyo were also likely contenders.

13. (SBU) In President Lee's April 13 press conference, two days ahead of his departure for a week-long visit to the U.S. and Japan, President Lee called on the GNP to unite,

emphasizing there was no such thing as a "Lee faction" anymore, but most insiders dismissed this as "just talk." President Lee also thanked the voters for giving the majority to the ruling party so the government could work to revitalize the economy.

UDP and the Liberals

¶4. (SBU) With 81 seats, the UDP is the largest opposition party. Combined with independents, left-wing Democratic Labor Party members and Renewal of Korea's three seats, the progressives control 95 seats, making them a political force to be reckoned with if they work together. This is a big "if." The only certainty is that they will objugate the GNP and President Lee at every opportunity. In the UDP alone, there are several different factions battling to lead the party. The party is set to decide the new leadership through a convention in June.

POLICY

¶5. (C) One of the most pronounced policy directions proposed by the Lee administration is economic revival, principally implemented through business deregulation, tax cuts, investment incentives, and government construction projects. Regarding the last group of measures, the Grand Canal project, by far the largest project, is stalled by resistance

from the public as well as from the opposition, and recent press articles note work on the canal will not start until ¶2009. In an April 12-13 poll by Hangil Research, 62.8

percent of respondents opposed the project. President Lee has pointed to the KORUS FTA as another economic stimulus initiative. Blue House contacts, however, note they do not expect the FTA to pass in May's special session, but regard the President's request as the first step bringing the FTA closer to its eventual ratification. Representative Hong told poloffs that he expected the FTA would be on the agenda in the 18th Assembly, chiefly because none of the recently defeated lawmakers would be coming to work, let alone ready to ratify the controversial FTA.

GENERAL IMPRESSIONS OF LEE

¶6. (SBU) In the April 12-13 Hangil Research poll, less than half (41.1 percent) of the respondents approved of President Lee's performance thus far. The majority (50.7 percent) of respondents attributed the GNP's big victory in the Seoul Metropolitan area to voters' inclination to support the Lee Myung-bak government in its policy initiatives. Broken down by party, the recent poll showed 43.1 percent supported the ruling GNP, with an additional 11.5 percent approval of the other conservative parties, LFP and PPA. UDP's support remained around 14.6 percent, while 19.3 percent said they did not support any party. 66.2 percent of respondents expected the GNP to do well as the ruling party, while they also overwhelmingly called for cooperation and compromise between the Lee and Park factions within the GNP, as well as between the ruling and opposition parties.

PROGNOSTICS FOR THE NEXT 50 DAYS

¶7. (SBU) Most pundits do not expect many actual laws or reforms to be passed until the new National Assembly opens in June. President Lee, however, clearly has been chomping at the bit and will use the coming days to lay out his plans for the months ahead. First up, he will lay out his foreign policy through a series of summits in the U.S. and Japan in April and in China and Russia in May. Lee has nothing to

lose in presenting a wide-ranging series of reforms and bills during the April-May temporary National Assembly session, including the KORUS FTA. If any initiatives pass, it is a success; if not, Lee has started discussion on economic reforms that he could hope to act on early in the ruling-party dominated June assembly.

COMMENT

18. (C) Elected on the promise that he will rejuvenate the economy, Lee Myung-bak now has in place a National Assembly that will be receptive to his reform proposals. His real work, therefore, begins now. Much will depend on how he manages the National Assembly, the media, and the NGOs, because they certainly will not give him a free pass. Lee's fundamental challenge is to show leadership and statecraft to convince these groups -- and the Korean people -- that he is capable of delivering on his conservative vision.

STANTON